

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

PINCONNING TOWNSHIP

Bay County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Members of the Township Board
Pinconning Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pinconning Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pinconning Township's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Township's water system managed by the Bay County Department of Water and Sewer. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Township's water system managed by the Bay County Department of Water and Sewer, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pinconning Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2008 on our consideration of Pinconning Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pinconning Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Bertchume & Co.

Saginaw, Michigan
July 22, 2008

BASIC FINANCIAL STATEMENTS

PINCONNING TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2008

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 572,413	\$ 450,911	\$ 1,023,324	\$ 34,526
Investments	-	36,469	36,469	-
Receivables	297,225	1,352,356	1,649,581	7,254
Internal balances	87,756	(87,756)	-	-
Prepaid expenses	25,772	2,802	28,574	-
Restricted cash and cash equivalents	-	229,296	229,296	-
Capital assets:				
Nondepreciable capital assets	31,322	-	31,322	18,000
Depreciable capital assets, net	814,231	3,705,083	4,519,314	-
Total assets	<u>1,828,719</u>	<u>5,689,161</u>	<u>7,517,880</u>	<u>59,780</u>
Liabilities:				
Accounts payable and accrued expenses	30,797	95,730	126,527	-
Long-term liabilities:				
Due within one year	30,733	78,880	109,613	-
Due in more than one year	633,801	2,109,443	2,743,244	-
Total liabilities	<u>695,331</u>	<u>2,284,053</u>	<u>2,979,384</u>	<u>-</u>
Net assets:				
Invested in capital assets, net of related debt	181,019	1,522,447	1,703,466	18,000
Restricted for:				
Debt service	112,094	229,296	341,390	-
Unrestricted net assets	<u>840,275</u>	<u>1,653,365</u>	<u>2,493,640</u>	<u>41,780</u>
Total net assets	<u>\$ 1,133,388</u>	<u>\$ 3,405,108</u>	<u>\$ 4,538,496</u>	<u>\$ 59,780</u>

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$ 193,510	\$ 12,797	\$ (29,659)	\$ -	\$ (210,372)
Public safety	33,334	-	1,843	-	(31,491)
Public works	240,078	191,809	5,853	-	(42,416)
Health and welfare	-	22,045	-	-	22,045
Community and economic development	5,455	-	41,218	-	35,763
Recreation and culture	5,000	-	-	-	(5,000)
Interest on long-term debt	36,782	-	-	-	(36,782)
Total governmental activities	514,159	226,651	19,255	-	(268,253)
Business-type activities:					
Sewer	-	-	-	-	-
Water	318,725	161,614	82,581	268,252	193,722
Total business-type activities	318,725	161,614	82,581	268,252	193,722
Total government	\$ 832,884	\$ 388,265	\$ 101,836	\$ 268,252	\$ (74,531)
COMPONENT UNITS:					
Downtown development authority	\$ 20,123	\$ 10,353	\$ -	\$ -	\$ (9,770)
Brownfield redevelopment authority	5,625	-	-	-	(5,625)
Total component units	\$ 25,748	\$ 10,353	\$ -	\$ -	\$ (15,395)

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Component Units</i>
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (268,253)	\$ 193,722	\$ (74,531)	\$ (15,395)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	90,997	-	90,997	-
Property taxes, captured by component units	-	-	-	22,682
Grants and contributions not restricted to specific programs	164,177	-	164,177	-
Unrestricted investment earnings	17,796	11,385	29,181	811
Miscellaneous	9,681	-	9,681	-
Transfers	(13,480)	13,480	-	-
Total general revenues	269,171	24,865	294,036	23,493
Change in net assets	918	218,587	219,505	8,098
Net assets, beginning of year, as restated	1,132,470	3,186,521	4,318,991	51,682
Net assets, end of year	\$ 1,133,388	\$ 3,405,108	\$ 4,538,496	\$ 59,780

PINCONNING TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2008

		<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>			
	<i>General Fund</i>	<i>Refuse Collection Fund</i>	<i>Dredging Assessment Fund</i>	<i>Building Authority Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:						
Cash and cash equivalents	\$ 243,231	\$ 128,178	\$ 68,615	\$ 43,479	\$ 88,910	\$ 572,413
Taxes receivable	6,233	-	-	-	-	6,233
Accounts receivable	11,180	10,109	-	-	-	21,289
Special assessments receivable	-	-	237,681	-	2,211	239,892
Due from other governmental units	29,811	-	-	-	-	29,811
Due from other funds	87,756	-	-	-	-	87,756
Prepaid expenditures	25,772	-	-	-	-	25,772
Total assets	<u>\$ 403,983</u>	<u>\$ 138,287</u>	<u>\$ 306,296</u>	<u>\$ 43,479</u>	<u>\$ 91,121</u>	<u>\$ 983,166</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 18,590	\$ 9,816	\$ -	\$ -	\$ -	\$ 28,406
Deferred revenue	-	-	237,681	-	-	237,681
Total liabilities	<u>18,590</u>	<u>9,816</u>	<u>237,681</u>	<u>-</u>	<u>-</u>	<u>266,087</u>
Fund balances:						
Reserved for:						
Prepaid expenditures	25,772	-	-	-	-	25,772
Debt service	-	-	68,615	43,479	-	112,094
Unreserved:						
General fund	359,621	-	-	-	-	359,621
Special revenue funds	-	128,471	-	-	59,955	188,426
Capital projects funds	-	-	-	-	31,166	31,166
Total fund balances	<u>385,393</u>	<u>128,471</u>	<u>68,615</u>	<u>43,479</u>	<u>91,121</u>	<u>717,079</u>
Total liabilities and fund balances	<u>\$ 403,983</u>	<u>\$ 138,287</u>	<u>\$ 306,296</u>	<u>\$ 43,479</u>	<u>\$ 91,121</u>	<u>\$ 983,166</u>

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

Total fund balances for governmental funds \$ 717,079

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,123,543	
Less accumulated depreciation	<u>(277,990)</u>	845,553

Certain receivables are not available to pay for current period expenditures and
therefore are deferred in the funds.

Special assessments	237,681
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Certain liabilities are not due and payable in the current period and therefore are
not reported in the funds.

Accrued interest	(2,391)
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Long-term liabilities applicable to governmental activities are not due and
payable in the current year and therefore are not reported in the funds.

Loans and bonds payable	<u>(664,534)</u>
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Net assets of governmental activities \$ 1,133,388

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

		<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>		<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
	<i>General Fund</i>	<i>Refuse Collection Fund</i>	<i>Dredging Assessment Fund</i>	<i>Building Authority Fund</i>		
Revenues:						
Property taxes	\$ 90,997	\$ -	\$ -	\$ -	\$ -	\$ 90,997
Licenses and permits	430	-	-	-	-	430
State grants	191,043	-	-	-	1,843	192,886
Contributions from other units	2,571	-	-	-	-	2,571
Charges for services	96,599	101,200	-	-	-	197,799
Interest and rents	10,549	1,294	2,005	2,981	1,697	18,526
Other revenue	28,732	95	41,218	-	23,545	93,590
Total revenues	420,921	102,589	43,223	2,981	27,085	596,799
Expenditures:						
Current						
General government	140,646	-	-	-	3,633	144,279
Public safety	52,660	-	-	-	120	52,780
Public works	138,933	100,481	-	-	-	239,414
Community and economic development	6,813	-	-	-	-	6,813
Recreation and culture	5,000	-	-	-	-	5,000
Other	16,889	-	-	-	-	16,889
Capital outlay	4,652	-	-	-	-	4,652
Debt service						
Principal	-	-	23,733	106,000	-	129,733
Interest and fees	-	-	15,665	21,945	-	37,610
Total expenditures	365,593	100,481	39,398	127,945	3,753	637,170
Excess (deficiency) of revenues over expenditures	55,328	2,108	3,825	(124,964)	23,332	(40,371)
Other financing sources (uses):						
Transfers from other funds	1,111	-	-	75,000	-	76,111
Transfers to other funds	(75,000)	-	-	-	(14,591)	(89,591)
Total other financing sources (uses)	(73,889)	-	-	75,000	(14,591)	(13,480)
Net change in fund balances	(18,561)	2,108	3,825	(49,964)	8,741	(53,851)
Fund balances, beginning of year, restated	403,954	126,363	64,790	93,443	82,380	770,930
Fund balances, end of year	\$ 385,393	\$ 128,471	\$ 68,615	\$ 43,479	\$ 91,121	\$ 717,079

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds \$ (53,851)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,339	
Less depreciation expense	<u>(35,325)</u>	(31,986)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments	(29,659)	
State shared revenue	<u>(14,147)</u>	(43,806)

Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net assets. 129,733

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest	<u>828</u>
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Change in net assets of governmental activities \$ 918

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

March 31, 2008

	<i>Business-type Activities</i>		
	<i>Nonmajor Fund</i>	<i>Major Fund</i>	<i>Total</i>
	<i>Sewer</i>	<i>Water</i>	
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ -	\$ 450,911	\$ 450,911
Investments	-	36,469	36,469
Accounts receivable	-	2,375	2,375
Special assessments receivable	-	70,900	70,900
Accrued interest receivable	-	325	325
Prepaid expenses	-	2,802	2,802
Total current assets	-	563,782	563,782
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	-	229,296	229,296
Special assessments receivable	-	1,278,756	1,278,756
Capital assets:			
Depreciable capital assets, net	87,756	3,617,327	3,705,083
Total noncurrent assets	87,756	5,125,379	5,213,135
Total assets	87,756	5,689,161	5,776,917
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	-	41,549	41,549
Accrued expenses	-	507	507
Due to other funds	87,756	-	87,756
Accrued interest payable	-	40,194	40,194
Advances	-	13,480	13,480
Compensated absences payable	-	853	853
Current long-term debt	-	78,027	78,027
Total current liabilities	87,756	174,610	262,366
<i>Noncurrent liabilities:</i>			
Compensated absences payable	-	4,834	4,834
Long-term debt	-	2,104,609	2,104,609
Total noncurrent liabilities	-	2,109,443	2,109,443
Total liabilities	87,756	2,284,053	2,371,809
Net assets:			
Invested in capital assets, net of related debt	87,756	1,434,691	1,522,447
Restricted for:			
Debt service	-	229,296	229,296
Unrestricted	(87,756)	1,741,121	1,653,365
Total net assets	\$ -	\$ 3,405,108	\$ 3,405,108

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Nonmajor Fund</i>	<i>Major Fund</i>	<i>Total</i>
	<i>Sewer</i>	<i>Water</i>	
Operating revenues:			
Charges for services	\$ -	\$ 141,666	\$ 141,666
Connection fees	-	18,310	18,310
Other	-	1,638	1,638
Total operating revenues	-	161,614	161,614
Operating expenses:			
Personnel	-	52,552	52,552
Supplies	-	168	168
Contracted services	-	2,332	2,332
Purchase of water	-	54,160	54,160
Administrative expense	-	6,452	6,452
Utilities	-	378	378
Repairs and maintenance	-	5,874	5,874
Other services and supplies	-	4,601	4,601
Depreciation	-	94,830	94,830
Total operating expenses	-	221,347	221,347
Operating income (loss)	-	(59,733)	(59,733)
Non-operating revenues (expenses);			
Interest income	-	11,385	11,385
Interest earned on special assessments	-	82,581	82,581
Interest expense	-	(97,378)	(97,378)
Total non-operating revenues (expenses)	-	(3,412)	(3,412)
Capital contributions	-	268,252	268,252
Transfer from other funds	-	13,480	13,480
Net income (loss)	-	218,587	218,587
Net assets, beginning of year, restated	-	3,186,521	3,186,521
Net assets, end of year	\$ -	\$ 3,405,108	\$ 3,405,108

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Nonmajor Fund</i>	<i>Major Fund</i>	<i>Total</i>
	<i>Sewer</i>	<i>Water</i>	
Cash flow from operating activities:			
Cash received from customers	\$ -	\$ 158,921	\$ 158,921
Cash received (paid) between funds	87,756	-	87,756
Cash payments to employees	-	(53,354)	(53,354)
Cash payments to suppliers for			
Cash payments to suppliers for goods and services	-	(41,582)	(41,582)
Net cash provided by operating activities	87,756	63,985	151,741
Cash flows from non-capital financing activities:			
Transfers from other funds	-	13,480	13,480
Net cash provided by non-capital financing activities	-	13,480	13,480
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(87,756)	(64,714)	(152,470)
Proceeds from capital debt	-	194,114	194,114
Principal payments on capital debt	-	(67,826)	(67,826)
Interest paid on capital debt	-	(97,378)	(97,378)
Payments received on special assessments	-	126,948	126,948
Interest earned on special assessments	-	82,581	82,581
Net cash provided (used) by capital and related financing activities	(87,756)	173,725	85,969
Cash flows from investing activities:			
Interest received	-	11,385	11,385
Net cash provided by investing activities	-	11,385	11,385
Net increase in cash and cash equivalents	-	262,575	262,575
Cash, cash equivalents and investments, beginning of year	-	454,101	454,101
Cash, cash equivalents and investments, end of year	\$ -	\$ 716,676	\$ 716,676

continued

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, continued

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Nonmajor Fund</i>	<i>Major Fund</i>	<i>Total</i>
	<i>Sewer</i>	<i>Water</i>	
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ -	\$ (59,733)	\$ (59,733)
Adjustments:			
Depreciation	-	94,830	94,830
Change in assets and liabilities:			
Accounts receivable	-	(158)	(158)
Prepaid expenses and other current assets	-	609	609
Accounts payable	-	31,040	31,040
Accrued expenses		228	228
Due to other funds	87,756	-	87,756
Accrued interest payable	-	506	506
Advances	-	(2,535)	(2,535)
Compensated absences payable	-	(802)	(802)
Net cash provided by operating activities	<u>\$ 87,756</u>	<u>\$ 63,985</u>	<u>\$ 151,741</u>

The accompanying notes are an integral part of these financial statements.

PINCONNING TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2008

	<i>Agency Fund</i>
Assets:	
Cash and cash equivalents	\$ 107
Total assets	107
Liabilities:	
Accounts payable	107
Total liabilities	107
Net Assets:	
Unrestricted	-
Total net assets	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pinconning Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Township's reporting entity because of their operational or financial relationship with the Township.

Blended Component Unit – The Building Authority is governed by a board that is appointed by the Township Board. Although it is legally separate from the Township, it is reported as if it were a part of the primary government because its primary purpose is to finance and construct the Township's public buildings. The Building Authority is reported as a debt service fund.

Discretely Presented Component Units - These units are reported in a separate column to emphasize that they are legally separate from the Township. The component units are the Downtown Development Authority and the Brownfield Redevelopment Authority. The members of the governing body of both Authorities are appointed by the Township Board. The budgets and expenditures of the Authorities must be approved by the Township Board. In addition, the Township has the ability to significantly influence operations of both the Downtown Development Authority and the Brownfield Redevelopment Authority. Neither Authority issues any other form of financial statements except as contained in the Pinconning Township annual financial statements.

Jointly Governed Organization – Pinconning Township, Fraser Township, and the City of Pinconning participate jointly in the operation of the Pinconning Fraser Fire Department. The funding formula requires that each municipality share the operational costs of the building. All of the financial operations of the fire department are recorded in the Pinconning Fraser Fire Department. The Township's appropriation to the Pinconning Fraser Fire Department for the year ended March 31, 2008 was \$46,570.

These financial statements include the portion of the Township's water system that is managed as an Agency Fund by the Bay County Department of Water and Sewer. The County managed portion of the Township's Water Fund is audited by other auditors as of and for the year ended December 31, 2007.

A separate audited December 31, 2007 financial report is available from the Bay County Department of Water and Sewer, 3933 Patterson Road, Bay City, Michigan, 48706.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Refuse Collection Fund** is used to account for the revenues and expenditures for the government's refuse collection operation.

The **Dredging Assessment Fund** is used to account for the accumulation of resources for, and payment of debt service, related to the dredging project.

The **Building Authority Fund** is used to account for the accumulation of resources for, and payment of debt service, related to the building project.

The Township reports the following major enterprise fund:

The **Water Fund** is used to account for the activities of the water distribution system.

Additionally, the Township reports the following:

The **Agency Fund** accounts for property tax and other deposits collected on behalf of other units and individuals.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as “internal balances”.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain revenue bonds of the Water Fund require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash and cash equivalents.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-40 years
Equipment and furniture	5-7 years
Water system	50 years

Compensated Absences – It is the Township’s policy to not permit employees to accumulate earned but unused sick and vacation days. The compensated absences liability shown in the proprietary fund and government-wide statement of net assets is derived from the portion of the Township’s Water fund that is handled as an Agency Fund by the Bay County Department of Water and Sewer. The liability is accrued in accordance with the policy applicable to employees of the Bay County Department of Water and Sewer.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the Township totaled \$59,740,524 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments) on which ad valorem taxes levied consisted of .1.1759 mills for the Township’s operating purposes.

The delinquent real property taxes of the Township are purchased by Bay County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund, Fire Fund and Building Inspection Fund budgets as originally adopted and amended by the Township Board are included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted in the Refuse Collection Fund in the amount of \$3,777.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Township had \$1,289,451 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$301,024 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

Investments:

The Township Water Fund reports \$36,469 of investments as of year end. These monies are being held as part of an investment pool of Bay County. The County has invested in external investment pools, government obligations, commercial paper and money market funds. Information regarding these investments and risk associated with these investments may be obtained from the Bay County DWS Financial Report for the year ended December 31, 2007.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 31,322	\$ -	\$ -	\$ 31,322
Depreciable capital assets:				
Buildings and improvements	734,927	-	-	734,927
Computer and office equipment	13,444	3,339	-	16,783
Land improvements	331,515	-	-	331,515
Machinery and equipment	8,995	-	-	8,995
Total depreciable capital assets	1,088,881	3,339	-	1,092,220
Accumulated depreciation	(242,664)	(35,325)	-	(277,989)
Depreciable capital assets, net	846,217	(31,986)	-	814,231
Governmental activities, capital assets, net	<u>\$ 877,539</u>	<u>\$ (31,986)</u>	<u>\$ -</u>	<u>\$ 845,553</u>
Business-type activities:				
Depreciable capital assets:				
Machinery and equipment	\$ 39,005	\$ -	\$ -	\$ 39,005
Sewer system - construction in progress	-	87,756	-	87,756
Water system	4,415,694	64,714	-	4,480,408
Total depreciable capital assets	4,454,699	152,470	-	4,607,169
Accumulated depreciation	(807,256)	(94,830)	-	(902,086)
Business-type activities, capital assets, net	<u>\$ 3,647,443</u>	<u>\$ 57,640</u>	<u>\$ -</u>	<u>\$ 3,705,083</u>

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Depreciation expense was charged to functions as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
General government	\$ 34,661	\$ -
Public works	664	-
Water	-	94,830
Total	<u>\$ 35,325</u>	<u>\$ 94,830</u>

NOTE 5: LONG-TERM LIABILITIES

The Township issued bonds and loans to provide for the acquisition and construction of major capital projects. General obligation bonds and loans payable are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2008 consisted of the following:

<i><u>Types of Indebtedness</u></i>	<i><u>Maturity</u></i>	<i><u>Interest Rate</u></i>	<i><u>Annual Principal Installments</u></i>	<i><u>Original Loan Amount</u></i>	<i><u>Outstanding at Year-End</u></i>
<u>Governmental Activities</u>					
<i>Bonds and loans payable</i>					
2000 Building Authority Loan	4/1/07-4/1/37	4.750%	\$1,000-22,000	\$ 500,000	\$ 356,000
2006 Dredge Loan	1/31/08-1/31/21	4.650%	23,733	356,000	308,534
<u>Business-type Activities</u>					
<i>Bonds and loans payable</i>					
2001 Water Revenue Bonds	05/01/07-05/01/41	4.750%	6,000-31,000	555,000	524,000
2001 Special Assessment Bonds	05/01/07-05/01/35	4.750%	10,000-36,000	1,377,000	965,000
2005 District #5 Waterline Loan	10/31/07-10/31/20	4.690%	19,613-36,347	400,000	361,465
2005 District #6 Waterline Loan	10/31/07-10/31/20	4.690%	4,903-9,087	100,000	90,367
2007 District #7 Waterline Loan	10/31/07-10/31/21	5.040%	2,310-4,598	50,000	47,690
2008 District #9 Waterline Loan	2/28/08-2/28/23	5.500%	8,606-18,388	194,114	194,114

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and loans payable					
2000 Building Authority Loan	\$ 462,000	\$ -	\$ (106,000)	\$ 356,000	\$ 7,000
2006 Dredge Loan	<u>332,267</u>	<u>-</u>	<u>(23,733)</u>	<u>308,534</u>	<u>23,733</u>
Total governmental activities					
- long-term liabilities	<u>\$ 794,267</u>	<u>\$ -</u>	<u>\$ (129,733)</u>	<u>\$ 664,534</u>	<u>\$ 30,733</u>
Business-type activities:					
Bonds and loans payable					
2001 Water Revenue Bonds	\$ 530,000	\$ -	\$ (6,000)	\$ 524,000	\$ 6,000
2001 Special Assessment Bonds	1,000,000	-	(35,000)	965,000	35,000
2005 District #5 Waterline Loan	381,078	-	(19,613)	361,465	20,795
2005 District #6 Waterline Loan	95,270	-	(4,903)	90,367	5,199
2005 District #7 Waterline Loan	50,000	-	(2,310)	47,690	2,427
2005 District #9 Waterline Loan	<u>-</u>	<u>194,114</u>	<u>-</u>	<u>194,114</u>	<u>8,606</u>
Total business-type activities					
- long-term liabilities	<u>\$ 2,056,348</u>	<u>\$ 194,114</u>	<u>\$ (67,826)</u>	<u>\$ 2,182,636</u>	<u>\$ 78,027</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 30,733	\$ 31,257	\$ 61,990	\$ 78,027	\$ 104,135	\$ 182,162
2010	30,733	29,821	60,554	79,875	100,338	180,213
2011	30,733	28,386	59,119	82,785	96,456	179,241
2012	30,733	26,948	57,681	84,790	92,456	177,246
2013	31,733	25,512	57,245	86,871	88,381	175,252
2014-2018	162,667	105,166	267,833	477,836	375,687	853,523
2019-2023	125,202	67,282	192,484	459,452	253,854	713,306
2024-2028	70,000	46,362	116,362	249,000	168,797	417,797
2029-2033	88,000	28,072	116,072	270,000	107,159	377,159
2034-2038	64,000	6,270	70,270	198,000	46,507	244,507
2039-2042	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,000</u>	<u>11,353</u>	<u>127,353</u>
	<u>\$ 664,534</u>	<u>\$ 395,076</u>	<u>\$ 1,059,610</u>	<u>\$ 2,182,636</u>	<u>\$ 1,445,123</u>	<u>\$ 3,627,759</u>

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

	<i><u>Governmental Activities</u></i>	<i><u>Business-Type Activities</u></i>	<i><u>Total Primary Government</u></i>	<i><u>Component Units</u></i>
Receivables:				
Property taxes	\$ 6,233	\$ -	\$ 6,233	\$ -
Accounts	21,289	2,375	23,664	5,154
Special assessments	239,892	1,349,656	1,589,548	-
Accrued interest	-	325	325	-
Intergovernmental	<u>29,811</u>	<u>-</u>	<u>29,811</u>	<u>2,100</u>
Total receivables	<u>\$ 297,225</u>	<u>\$ 1,352,356</u>	<u>\$ 1,649,581</u>	<u>\$ 7,254</u>
Accounts payable and accrued expenses:				
Accounts	\$ 28,406	\$ 41,549	\$ 69,955	\$ -
Payroll and related liabilities	-	507	507	-
Advances	-	13,480	13,480	-
Accrued interest	2,391	40,194	42,585	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 30,797</u>	<u>\$ 95,730</u>	<u>\$ 126,527</u>	<u>\$ -</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at March 31, 2008 is as follows:

<i><u>Receivable Fund</u></i>	<i><u>Payable Fund</u></i>	<i><u>Amount</u></i>
General Fund	Sewer Fund	<u>\$ 87,756</u>

Interfund transfers during the fiscal year were as follows:

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
General Fund	Building Authority Fund	\$ 75,000
Liquor Control Fund	General Fund	1,111
Capital Projects Fund	Water Fund	<u>13,480</u>
		<u>\$ 89,591</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township offers no pension plan or post employment benefits.

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for debt service – This reserve was created to indicate that the portion of fund balance represented by debt service is not available for appropriation.

NOTE 11: PRIOR PERIOD ADJUSTMENT

Correction of a Reporting Policy:

A portion of the Township's Water Fund is administered as an Agency Fund of the Bay County Department of Water and Sewer (DWS). In prior years, the portion of the Water Fund administered by the DWS was excluded from the Township's financial statements. In the current year, the Agency Fund of the DWS is included in the financial statements of the Township. The Township has changed its reporting policy for its Water Fund, as described above, in order to be in accordance with generally accepted accounting and reporting principles.

As a result of this reporting policy change, the effect on beginning net assets is as follows:

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

	<i><u>Business-type Activity</u></i>
	<i><u>Water Fund</u></i>
Net Assets at March 31, 2007, previously stated	\$ 2,951,030
Adjustments Needed to Properly Report the Township's Water Fund:	
Recognize a contribution from the County in the Township's 2008 fiscal year that was previously recognized as revenue in the Township's 2007 fiscal year because of a period timing difference between the County and the Township	(9,507)
Record the net water assets at the County as of December 31, 2006 previously not reported	<u>244,998</u>
Net Assets at March 31, 2007, restated	<u><u>\$ 3,186,521</u></u>

Correction of an Error:

The refuse collection charges/expense for March 2007 was not correctly recognized as an accounts payable, in the Refuse Collection Fund, at March 31, 2007. In addition, the 2006 refuse collection fees assessment due from the County at March 31, 2007, were incorrectly recorded as deferred revenues instead of revenues as of March 31, 2007.

Correction of these errors affects beginning fund balance of this fund and the beginning net assets of the governmental activities as follows:

	<i><u>Fund Statement</u></i>	<i><u>Government-Wide Statement</u></i>
	<i><u>Refuse Collection Fund</u></i>	<i><u>Governmental Activities</u></i>
Net assets/Fund balance at March 31, 2007, previously stated	\$ 123,600	\$ 1,129,707
Record refuse expense payable at March 31, 2007	(7,879)	(7,879)
Recognized refuse fees revenue receivable as of March 31, 2007	<u>10,642</u>	<u>10,642</u>
Net assets/Fund balance at March 31, 2007, restated	<u><u>\$ 126,363</u></u>	<u><u>\$ 1,132,470</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

PINCONNING TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 85,091	\$ 89,670	\$ 90,997	\$ 1,327
Licenses and permits	3,000	430	430	-
State grants	100,000	157,169	191,043	33,874
Contributions from other units	-	-	2,571	2,571
Charges for services	82,500	104,497	96,599	(7,898)
Interest and rents	16,100	8,430	10,549	2,119
Other revenue	46,200	31,167	28,732	(2,435)
Total revenues	332,891	391,363	420,921	29,558
Expenditures:				
Current				
General government	237,281	153,153	140,646	(12,507)
Public safety	70,970	72,891	52,660	(20,231)
Public works	162,500	242,500	138,933	(103,567)
Community and economic development	8,300	6,900	6,813	(87)
Recreation	5,000	5,000	5,000	-
Other	22,000	20,000	16,889	(3,111)
Capital outlay	140,000	131,000	4,652	(126,348)
Total expenditures	646,051	631,444	365,593	(265,851)
Excess (deficiency) of revenues over expenditures	(313,160)	(240,081)	55,328	295,409
Other financing sources (uses):				
Transfers from other funds	-	1,921	1,111	(810)
Transfers to other funds	-	(75,000)	(75,000)	-
Total other financing sources (uses)	-	(73,079)	(73,889)	(810)
Net change in fund balance	(313,160)	(313,160)	(18,561)	294,599
Fund balance, beginning of year	403,954	403,954	403,954	-
Fund balance, end of year	\$ 90,794	\$ 90,794	\$ 385,393	\$ 294,599

PINCONNING TOWNSHIP

REFUSE COLLECTION FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i><u>Budgeted Amounts</u></i>		<i><u>Actual</u></i>	<i><u>Actual</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>		<i><u>Over (Under)</u></i>
				<i><u>Final Budget</u></i>
Revenues:				
Charges for services	\$ 100,740	\$ 100,741	\$ 101,200	\$ 459
Interest and rents	227	227	1,294	1,067
Other revenue	18	18	95	77
Total revenues	<u>100,985</u>	<u>100,986</u>	<u>102,589</u>	<u>1,603</u>
Expenditures:				
Current				
Public works	<u>96,704</u>	<u>96,704</u>	<u>100,481</u>	<u>3,777</u>
Total expenditures	<u>96,704</u>	<u>96,704</u>	<u>100,481</u>	<u>3,777</u>
Net change in fund balance	4,281	4,282	2,108	(2,174)
Fund balance, beginning of year, restated	<u>126,363</u>	<u>126,363</u>	<u>126,363</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 130,644</u></u>	<u><u>\$ 130,645</u></u>	<u><u>\$ 128,471</u></u>	<u><u>\$ (2,174)</u></u>

OTHER SUPPLEMENTAL INFORMATION

PINCONNING TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

Revenues:

Current Taxes:

Property taxes	\$ 70,149
Administration fees	20,848
	<u>90,997</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>430</u>
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State Grants:

State revenue sharing - sales tax	178,324
Metro Act	5,853
Property tax collection reimbursement	6,866
	<u>191,043</u>

Contribution from other units:

Election reimbursements	<u>2,571</u>
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Charges for services:

Cemetery fees	1,000
Zoning/Variance fees	1,877
Impact fees	90,609
Charges to other funds	3,113
	<u>96,599</u>

Interest and rents:

Interest	9,819
Rents	730
	<u>10,549</u>

Other Revenue:

Reimbursements	19,446
Refunds and rebates	344
Other	8,942
	<u>28,732</u>

Total revenues	<u>420,921</u>
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Other Financing Sources:

Transfers from other funds	<u>1,111</u>
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Total revenues and other financing sources	<u>\$ 422,032</u>
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PINCONNING TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

Expenditures:

General Government:

Township Board:

Personnel	\$ 4,600
Other	2,021
	<u>6,621</u>

Supervisor:

Personnel	11,500
Mileage	1,100
	<u>12,600</u>

Accounting:

Personnel	14,560
Supplies	5,277
Contracted services	855
Telephone	4,273
Mileage	4,549
Dues and memberships	2,234
Education and training	2,346
Printing and publications	296
Repairs and maintenance	2,053
Other	27
	<u>36,470</u>

Clerk:

Personnel	<u>15,900</u>
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Board of Review:

Personnel	<u>612</u>
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Audit:

Contracted services	<u>8,400</u>
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Treasurer:

Personnel	15,899
Contracted services	4,486
	<u>20,385</u>

Assessor:

Personnel	10,250
Supplies	1,527
	<u>11,777</u>

Elections:

Personnel	267
Other	3,922
	<u>4,189</u>

PINCONNING TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Expenditures, continued:

General Government, continued:

Hall and Grounds:

Personnel	4,227
Supplies	301
Utilities	7,716
Repairs and maintenance	2,756
	<u>15,000</u>

Attorney:

Contracted services	<u>3,146</u>
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Cemetery:

Contracted services	1,000
Utilities	121
Repairs and maintenance	4,425
	<u>5,546</u>

Total general government	<u>140,646</u>
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Public Safety:

Road Patrol:

Contracted services	<u>4,169</u>
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Liquor Enforcement:

Contracted services	<u>1,921</u>
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Fire:

Contracted services	<u>46,570</u>
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Total public safety	<u>52,660</u>
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Public Works:

Drains Public Benefit:

Contracted services	<u>873</u>
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Roads:

Contracted services	<u>133,283</u>
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Street Lights:

Utilities	<u>4,777</u>
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Total public works	<u>138,933</u>
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PINCONNING TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Expenditures, continued:

Community and Economic Development:

Planning:

Personnel	<u>1,558</u>
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Zoning:

Personnel	<u>5,255</u>
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Total community and public development	<u>6,813</u>
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Recreation:

Parks and Recreation:

Contracted services	<u>5,000</u>
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Other:

Insurance and bonds	10,401
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Payroll taxes	<u>6,488</u>
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<u>16,889</u>

Capital Outlay:

General government	<u>4,652</u>
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Total expenditures	<u>365,593</u>
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Other Financing Uses:

Transfers to other funds	<u>75,000</u>
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Total other financing uses	<u>75,000</u>
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Total expenditures and other financing uses	<u>\$ 440,593</u>
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PINCONNING TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

March 31, 2008

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Liquor Control Fund</u>	<u>Capital Projects Fund</u>	
Assets:					
Cash and cash equivalents	\$ 15,123	\$ 41,338	\$ 1,283	\$ 31,166	\$ 88,910
Special assessments receivable	-	2,211	-	-	2,211
Total assets	<u>\$ 15,123</u>	<u>\$ 43,549</u>	<u>\$ 1,283</u>	<u>\$ 31,166</u>	<u>\$ 91,121</u>
Fund Balances:					
Unreserved:					
Special revenue funds	15,123	43,549	1,283	-	59,955
Capital projects fund	-	-	-	31,166	31,166
Total fund balances	<u>15,123</u>	<u>43,549</u>	<u>1,283</u>	<u>31,166</u>	<u>91,121</u>
Total liabilities and fund balances	<u>\$ 15,123</u>	<u>\$ 43,549</u>	<u>\$ 1,283</u>	<u>\$ 31,166</u>	<u>\$ 91,121</u>

PINCONNING TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES

March 31, 2008

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Fund</u>
	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Liquor Control Fund</u>	<u>Capital Projects Fund</u>	
Revenues:					
State grants	\$ -	\$ -	\$ 1,843	\$ -	\$ 1,843
Interest and rents	439	707	4	547	1,697
Special assessments	-	22,045	-	-	22,045
Other revenue	1,500	-	-	-	1,500
Total revenues	1,939	22,752	1,847	547	27,085
Expenditures:					
Current					
General government	-	-	-	3,633	3,633
Public safety	-	-	120	-	120
Total expenditures	-	-	120	3,633	3,753
Excess (deficiency) of revenues over expenditures	1,939	22,752	1,727	(3,086)	23,332
Other financing sources (uses):					
Transfers to other funds	-	-	(1,111)	(13,480)	(14,591)
Total other financing sources (uses)	-	-	(1,111)	(13,480)	(14,591)
Net change in fund balances	1,939	22,752	616	(16,566)	8,741
Fund balances, beginning of year	13,184	20,797	667	47,732	82,380
Fund balances, end of year	<u>\$ 15,123</u>	<u>\$ 43,549</u>	<u>\$ 1,283</u>	<u>\$ 31,166</u>	<u>\$ 91,121</u>

PINCONNING TOWNSHIP

COMPONENT UNITS
COMBINING BALANCE SHEET
March 31, 2008

	<i><u>Downtown Development Authority</u></i>	<i><u>Brownfield Redevelopment Authority</u></i>	<i><u>Total Component Units</u></i>
Assets:			
Cash and cash equivalents	\$ 30,989	\$ 3,537	\$ 34,526
Accounts receivable	5,154	-	5,154
Due from other governmental units	<u>-</u>	<u>2,100</u>	<u>2,100</u>
Total assets	<u>\$ 36,143</u>	<u>\$ 5,637</u>	<u>\$ 41,780</u>
Fund Balances:			
Unreserved	<u>36,143</u>	<u>5,637</u>	<u>41,780</u>
Total fund balances	<u>\$ 36,143</u>	<u>\$ 5,637</u>	<u>\$ 41,780</u>

RECONCILIATION OF FUND BALANCES TO NET ASSETS:

Total fund balances for component units \$ 41,780

Total net assets reported for the component units in the statement of
of net assets is different because:

Capital assets used in the component units are not financial resources
and therefore are not reported in the component units funds.

Governmental capital assets	18,000	
Less accumulated depreciation	<u>-</u>	<u>18,000</u>
Net assets of component units		<u><u>\$ 59,780</u></u>

PINCONNING TOWNSHIP

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

March 31, 2008

	<i>Downtown Development Authority</i>	<i>Brownfield Redevelopment Authority</i>	<i>Total Component Units</i>
Revenues:			
Property taxes	\$ 14,957	\$ 7,725	\$ 22,682
Charges for services	10,353	-	10,353
Interest and rents	794	17	811
Total revenues	<u>26,104</u>	<u>7,742</u>	<u>33,846</u>
Expenditures:			
Current			
Community and economic development	<u>20,123</u>	<u>5,625</u>	<u>25,748</u>
Total expenditures	<u>20,123</u>	<u>5,625</u>	<u>25,748</u>
Net change in fund balances	5,981	2,117	8,098
Fund balances, beginning of year	<u>30,162</u>	<u>3,520</u>	<u>33,682</u>
Fund balances, end of year	<u><u>\$ 36,143</u></u>	<u><u>\$ 5,637</u></u>	<u><u>\$ 41,780</u></u>

PINCONNING TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2008

	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>March 31, 2008</u></i>
<u>CURRENT TAX COLLECTION</u>				
Assets:				
Cash and cash equivalents	\$ <u>132</u>	\$ <u>2,028,916</u>	\$ <u>2,028,941</u>	\$ <u>107</u>
Liabilities:				
Accounts payable	\$ 132	\$ 281,852	\$ 281,877	\$ 107
Due to other governmental units	<u>-</u>	<u>1,747,064</u>	<u>1,747,064</u>	<u>-</u>
	<u>\$ 132</u>	<u>\$ 2,028,916</u>	<u>\$ 2,028,941</u>	<u>\$ 107</u>

PINCONNING TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

BUILDING AUTHORITY LOAN

Issue dated April 1, 2000 in the amount of	\$	500,000
Less: Principal paid in prior years		(38,000)
Principal paid in current year		<u>(106,000)</u>
Balance payable at March 31, 2008	\$	<u>356,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due October 1,</i>	<i>Principal due April 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2009	4.75%	\$ 8,455	\$ 7,000	\$ 8,455	\$ 23,910
2010	4.75%	8,289	7,000	8,289	23,578
2011	4.75%	8,123	7,000	8,123	23,246
2012	4.75%	7,956	7,000	7,956	22,912
2013	4.75%	7,790	8,000	7,790	23,580
2014	4.75%	7,600	8,000	7,600	23,200
2015	4.75%	7,410	8,000	7,410	22,820
2016	4.75%	7,220	9,000	7,220	23,440
2017	4.75%	7,006	9,000	7,006	23,012
2018	4.75%	6,793	10,000	6,793	23,586
2019	4.75%	6,555	10,000	6,555	23,110
2020	4.75%	6,318	10,000	6,318	22,636
2021	4.75%	6,080	11,000	6,080	23,160
2022	4.75%	5,819	11,000	5,819	22,638
2023	4.75%	5,558	12,000	5,558	23,116
2024	4.75%	5,273	13,000	5,273	23,546
2025	4.75%	4,964	13,000	4,964	22,928
2026	4.75%	4,655	14,000	4,655	23,310
2027	4.75%	4,323	15,000	4,323	23,646
2028	4.75%	3,966	15,000	3,966	22,932
2029	4.75%	3,610	16,000	3,610	23,220
2030	4.75%	3,230	17,000	3,230	23,460
2031	4.75%	2,826	18,000	2,826	23,652
2032	4.75%	2,399	18,000	2,399	22,798
2033	4.75%	1,971	19,000	1,971	22,942
2034	4.75%	1,520	20,000	1,520	23,040
2035	4.75%	1,045	21,000	1,045	23,090
2036	4.75%	546	22,000	546	23,092
2037	4.75%	24	1,000	24	1,048
		<u>\$ 147,324</u>	<u>\$ 356,000</u>	<u>\$ 147,324</u>	<u>\$ 650,648</u>

PINCONNING TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

DREDGE LOAN

Issue dated January 1, 2006 in the amount of	\$	356,000
Less: Principal paid in prior years		(23,733)
Principal paid in current year		<u>(23,733)</u>
Balance payable at March 31, 2008	\$	<u>308,534</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due January 31,</i>	<i>Interest due January 31,</i>	<i>Total Annual Requirement</i>
2009	4.65%	\$ 23,733	\$ 14,347	\$ 38,080
2010	4.65%	23,733	13,243	36,976
2011	4.65%	23,733	12,140	35,873
2012	4.65%	23,733	11,036	34,769
2013	4.65%	23,733	9,932	33,665
2014	4.65%	23,733	8,829	32,562
2015	4.65%	23,733	7,725	31,458
2016	4.65%	23,733	6,622	30,355
2017	4.65%	23,734	5,518	29,252
2018	4.65%	23,734	4,414	28,148
2019	4.65%	23,734	3,311	27,045
2020	4.65%	23,734	2,207	25,941
2021	4.65%	<u>23,734</u>	<u>1,104</u>	<u>24,838</u>
		<u>\$ 308,534</u>	<u>\$ 100,428</u>	<u>\$ 408,962</u>

PINCONNING TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2001

Issue dated May 1, 2001 in the amount of	\$	555,000
Less: Principal paid in prior years		(25,000)
Principal paid in current year		<u>(6,000)</u>
Balance payable at March 31, 2008	\$	<u>524,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due May 1,</i>	<i>Interest due May 1,</i>	<i>Interest due November 1,</i>	<i>Total Annual Requirement</i>
2009	4.75%	\$ 6,000	12,445	\$ 12,303	\$ 30,748
2010	4.75%	6,000	12,303	12,160	30,463
2011	4.75%	7,000	12,160	11,994	31,154
2012	4.75%	7,000	11,994	11,828	30,822
2013	4.75%	7,000	11,828	11,661	30,489
2014	4.75%	8,000	11,661	11,471	31,132
2015	4.75%	8,000	11,471	11,281	30,752
2016	4.75%	9,000	11,281	11,068	31,349
2017	4.75%	9,000	11,068	10,854	30,922
2018	4.75%	9,000	10,854	10,640	30,494
2019	4.75%	10,000	10,640	10,403	31,043
2020	4.75%	10,000	10,403	10,165	30,568
2021	4.75%	11,000	10,165	9,904	31,069
2022	4.75%	12,000	9,904	9,619	31,523
2023	4.75%	12,000	9,619	9,334	30,953
2024	4.75%	13,000	9,334	9,025	31,359
2025	4.75%	13,000	9,025	8,716	30,741
2026	4.75%	14,000	8,716	8,384	31,100
2027	4.75%	15,000	8,384	8,028	31,412
2028	4.75%	16,000	8,028	7,648	31,676
2029	4.75%	16,000	7,648	7,268	30,916
2030	4.75%	17,000	7,268	6,864	31,132
2031	4.75%	18,000	6,864	6,436	31,300
2032	4.75%	19,000	6,436	5,985	31,421
2033	4.75%	20,000	5,985	5,510	31,495
2034	4.75%	21,000	5,510	5,011	31,521
2035	4.75%	22,000	5,011	4,489	31,500
2036	4.75%	23,000	4,489	3,943	31,432
2037	4.75%	24,000	3,943	3,373	31,316
2038	4.75%	26,000	3,373	2,755	32,128
2039	4.75%	27,000	2,755	2,114	31,869
2040	4.75%	28,000	2,114	1,449	31,563
2041	4.75%	30,000	1,449	736	32,185
2042	4.75%	<u>31,000</u>	<u>736</u>	<u>-</u>	<u>31,736</u>
		\$ 524,000	\$ 274,864	\$ 262,419	\$ 1,061,283

PINCONNING TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

2001 SPECIAL ASSESSMENT LIMITED TAX BONDS

Issue dated May 1, 1995 in the amount of	\$	1,377,000
Less: Principal paid in prior years	(377,000)	
Principal paid in current year	<u>(35,000)</u>	
Balance payable at March 31, 2008	\$	<u>965,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due May 1,</i>	<i>Interest due May 1,</i>	<i>Interest due November 1,</i>	<i>Total Annual Requirement</i>
2009	4.75%	\$ 35,000	22,919	\$ 22,088	\$ 80,007
2010	4.75%	35,000	22,088	21,256	78,344
2011	4.75%	35,000	21,256	20,425	76,681
2012	4.75%	35,000	20,425	19,594	75,019
2013	4.75%	35,000	19,594	18,763	73,357
2014	4.75%	35,000	18,763	17,931	71,694
2015	4.75%	35,000	17,931	17,100	70,031
2016	4.75%	35,000	17,100	16,269	68,369
2017	4.75%	35,000	16,269	15,438	66,707
2018	4.75%	35,000	15,438	14,606	65,044
2019	4.75%	35,000	14,606	13,775	63,381
2020	4.75%	35,000	13,775	12,944	61,719
2021	4.75%	35,000	12,944	12,113	60,057
2022	4.75%	35,000	12,113	11,281	58,394
2023	4.75%	35,000	11,281	10,450	56,731
2024	4.75%	35,000	10,450	9,619	55,069
2025	4.75%	35,000	9,619	8,788	53,407
2026	4.75%	36,000	8,788	7,933	52,721
2027	4.75%	36,000	7,933	7,078	51,011
2028	4.75%	36,000	7,078	6,223	49,301
2029	4.75%	36,000	6,223	5,388	47,611
2030	4.75%	36,000	5,388	4,513	45,901
2031	4.75%	36,000	4,513	3,658	44,171
2032	4.75%	36,000	3,658	2,803	42,461
2033	4.75%	36,000	2,803	1,948	40,751
2034	4.75%	36,000	1,948	1,093	39,041
2035	4.75%	36,000	1,093	238	37,331
2036	4.75%	<u>10,000</u>	<u>238</u>	<u>-</u>	<u>10,238</u>
		<u>\$ 965,000</u>	<u>\$ 326,234</u>	<u>\$ 303,315</u>	<u>\$ 1,594,549</u>

PINCONNING TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

DISTRICT #5 WATERLINE

Issue dated October 31, 2005 in the amount of	\$	400,000
Less: Principal paid in prior years		(18,922)
Principal paid in current year		<u>(19,613)</u>
Balance payable at March 31, 2008	\$	<u>361,465</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 31,</i>	<i>Interest due October 31,</i>	<i>Total Annual Requirement</i>
2009	4.69%	\$ 20,795	16,939	\$ 37,734
2010	4.69%	21,770	15,963	37,733
2011	4.69%	22,791	14,942	37,733
2012	4.69%	23,860	13,873	37,733
2013	4.69%	24,979	12,754	37,733
2014	4.69%	26,151	11,583	37,734
2015	4.69%	27,377	10,356	37,733
2016	4.69%	28,661	9,072	37,733
2017	4.69%	30,006	7,728	37,734
2018	4.69%	31,413	6,321	37,734
2019	4.69%	32,886	4,847	37,733
2020	4.69%	34,429	3,305	37,734
2021	4.69%	<u>36,347</u>	<u>1,388</u>	<u>37,735</u>
		<u>\$ 361,465</u>	<u>\$ 129,071</u>	<u>\$ 490,536</u>

PINCONNING TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

DISTRICT #6 WATERLINE

Issue dated October 31, 2005 in the amount of	\$	100,000
Less: Principal paid in prior years		(4,730)
Principal paid in current year		<u>(4,903)</u>
Balance payable at March 31, 2008	\$	<u>90,367</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 31,</i>	<i>Interest due October 31,</i>	<i>Total Annual Requirement</i>
2009	4.69%	\$ 5,199	4,235	\$ 9,434
2010	4.69%	5,443	3,991	9,434
2011	4.69%	5,698	3,736	9,434
2012	4.69%	5,965	3,468	9,433
2013	4.69%	6,245	3,189	9,434
2014	4.69%	6,538	2,896	9,434
2015	4.69%	6,844	2,589	9,433
2016	4.69%	7,165	2,268	9,433
2017	4.69%	7,501	1,932	9,433
2018	4.69%	7,853	1,580	9,433
2019	4.69%	8,222	1,212	9,434
2020	4.69%	8,607	826	9,433
2021	4.69%	9,087	347	9,434
		<u>\$ 90,367</u>	<u>\$ 32,269</u>	<u>\$ 122,636</u>

PINCONNING TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

DISTRICT #7 WATERLINE

Issue dated March 14, 2007 in the amount of	\$	50,000
Less: Principal paid in prior years		-
Principal paid in current year		<u>(2,310)</u>
Balance payable at March 31, 2008	\$	<u><u>47,690</u></u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 31,</i>	<i>Interest due October 31,</i>	<i>Total Annual Requirement</i>
2009	5.04%	\$ 2,427	2,403	\$ 4,830
2010	5.04%	2,549	2,281	4,830
2011	5.04%	2,677	2,153	4,830
2012	5.04%	2,812	2,018	4,830
2013	5.04%	2,954	1,876	4,830
2014	5.04%	3,103	1,727	4,830
2015	5.04%	3,259	1,571	4,830
2016	5.04%	3,424	1,406	4,830
2017	5.04%	3,596	1,234	4,830
2018	5.04%	3,777	1,053	4,830
2019	5.04%	3,968	862	4,830
2020	5.04%	4,168	662	4,830
2021	5.04%	4,378	452	4,830
2022	5.04%	<u>4,598</u>	<u>232</u>	<u>4,830</u>
		<u>\$ 47,690</u>	<u>\$ 19,930</u>	<u>\$ 67,620</u>

PINCONNING TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

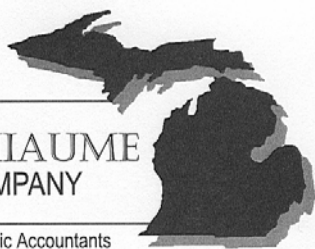
March 31, 2008

DISTRICT #9 WATERLINE

Issue dated February 28, 2008 in the amount of	\$	194,114
Less: Principal paid in prior years		-
Principal paid in current year		-
		<u>-</u>
Balance payable at March 31, 2008	\$	<u>194,114</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>February 28,</i>	<i>Interest due</i> <i>February 28,</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	5.50%	\$ 8,606	10,803	\$ 19,409
2010	5.50%	9,113	10,296	19,409
2011	5.50%	9,619	9,790	19,409
2012	5.50%	10,153	9,256	19,409
2013	5.50%	10,693	8,716	19,409
2014	5.50%	11,310	8,099	19,409
2015	5.50%	11,938	7,471	19,409
2016	5.50%	12,600	6,809	19,409
2017	5.50%	13,283	6,126	19,409
2018	5.50%	14,037	5,372	19,409
2019	5.50%	14,816	4,593	19,409
2020	5.50%	15,638	3,771	19,409
2021	5.50%	16,498	2,911	19,409
2022	5.50%	17,422	1,987	19,409
2023	5.50%	18,388	1,021	19,409
		<u>\$ 194,114</u>	<u>\$ 97,021</u>	<u>\$ 291,135</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Township Board
Pinconning Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pinconning Township, as of and for the year ended March 31, 2008, which collectively comprise Pinconning Township's basic financial statements and have issued our report thereon dated July 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pinconning Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing of accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary year end adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing and summarizing of accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pinconning Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bertch & Co.

Saginaw, Michigan
July 22, 2008



REQUIRED COMMUNICATION TO PINCONNING-FRASER FIRE DEPARTMENT IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Fire Board
Pinconning-Fraser Fire Department

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pinconning-Fraser Fire Department for the year ended March 31, 2008, and have issued our report thereon dated August 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Pinconning-Fraser Fire Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Pinconning-Fraser Fire Department as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Pinconning-Fraser Fire Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Fire Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

August 15, 2008